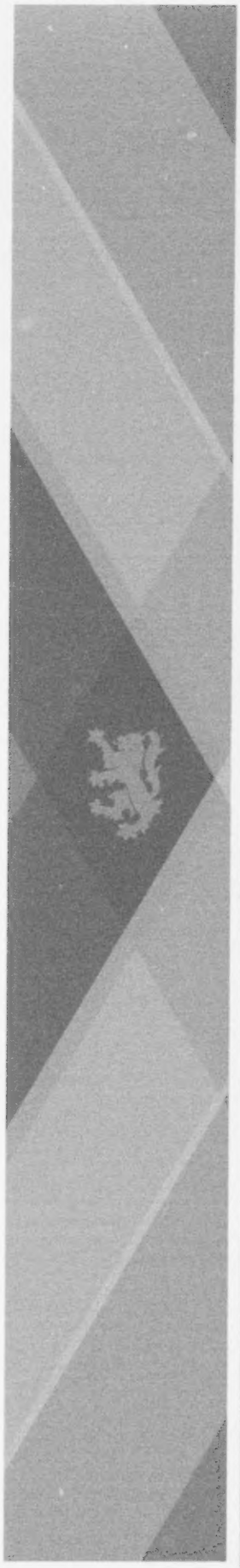
Crown Corporation Business Plans 2016–2017

Waterfront Development Corporation

NOVA SCOTIA



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Message from the Board Chair and the Acting President and CEO

Our place by the ocean gives the world a reason to know us, to do business with us, and to visit us. It is vast with opportunity. Our history is a maritime history, and our future prosperity as a province will be determined by the extent to which we are able to unlock the potential the ocean presents to us. This is what we think about every day at Waterfront Development.

Few places in the world can match the strategic advantages Nova Scotia has in the ocean economy. By developing waterfront infrastructure that harnesses these advantages, we can help achieve the ONE NS goals of increasing business start-ups, increasing the value of exports, and increasing the number of research and development partnerships. An example of this work is the purchase of the former Coast Guard lands in Dartmouth. Waterfront Development purchased the site last year following substantial analysis and is working with industry, government, and our post-secondary institutions to develop this site as a platform where business can cluster. Building on Nova Scotia's competitive advantages in the ocean sector, COVE, the Centre for Ocean Ventures and Entrepreneurship, will stimulate the growth of an Ocean Innovation Ecosystem.

This same model is applied to our work in the tourism sector. The Halifax and Lunenburg waterfronts are thoughtfully planned and designed to create quality public spaces with access to the water's edge, as well as platforms on which business can thrive. They have become centres of our communities, drivers of tourism visitation, and spaces where our community and visitors can gather to celebrate Nova Scotia.

Well-designed cities or towns are attractive, safe, inclusive, and invigorating. They are places that attract people to live, create diversity, and spur entrepreneurial activity. They become magnets for growth in our population and our economy. Waterfront Development strives to create the optimal mix of private sector businesses, public infrastructure, and community partners to flourish.

Dale Godsoe
Chair of the Board

Jennifer Angel
Acting President and CEO

Mandate

Waterfront Development's purpose is to redevelop and revitalize the lands surrounding Halifax Harbour, Lunenburg Harbour, and any other lands designated by its shareholder, the Province of Nova Scotia.

Our mission is to harness the potential of our waterfronts by developing ideas, infrastructure, and experiences that stimulate business investment and community pride.

Our place by the ocean is our greatest natural advantage as a province. The extent to which we can harness this potential will determine our future prosperity. To accomplish this, we secure strategic parcels of land around which we create a development plan. The development plan is implemented through commercial partnerships that enable Waterfront Development to build infrastructure that supports both the public interest and business growth in sectors where Nova Scotia has a competitive advantage in the global economy.

It is a financially sustainable model. After an initial investment in planning, partnership selection, and construction, the completed developments generate revenue sufficient to cover the operating expenses for the new infrastructure.

Guiding Values

Waterfront Development is a provincial Crown corporation, carrying out a public mandate in a private sector environment. In fulfilling our public obligations, we will exhibit the following values in addition to the compassion, courage, and initiative that characterizes past successes.

Commitment: Forge and sustain partnerships that generate positive economic and societal returns.

Accountability: Uphold the public's trust by ensuring access to the water's edge, fiscal accountability, and involvement in the dialogue about waterfront development, and ensuring transparency with our plans.

Flexibility: Take the extra step to understand and champion business partners who share our values and vision for the waterfront.

Excellence: Be a strong and knowledgeable voice on economic development, planning and design, partnership models, and waterfront development.

Foresight: Generate for Nova Scotians a positive financial return to reinvest in a continuous upward spiral of waterfront opportunities.

Sustainability: Create the capacity for future waterfront uses and enjoyment by harmonizing our economic goals with environmental sustainability.

Alignment with Government's Priorities

Government priority: Innovation

Government outcome: Nova Scotia has a strong and globally competitive economy and a sustainable, modern government.

Government goal: Create the climate for private sector and social enterprise economic growth to support ONE NS economic goals.

Waterfront Development is leading key projects that involve infrastructure that builds capacity of our ocean industries in research and development, commercial marine operations, and ocean-related tourism.

Government's Framework for Private Sector Growth (Framework) is guiding government's actions to create the climate for private sector and social enterprise growth so the ONE NS goals can be achieved. Aligning with government's priorities, Waterfront Development supports the priority of "building capacity in high potential clusters."

Actions

COVE

Waterfront Development led the strategic purchase and proposed redevelopment of the former Dartmouth Coast Guard facility into the Centre for Ocean Ventures and Entrepreneurship (COVE), which will become an anchor for the ocean technology cluster in Nova Scotia.

This year we will continue to work in partnership with the Department of Business to advance plans to develop infrastructure.

Outcome:

- Access to infrastructure for sustainable growth

Measure	Target
Percentage of leasable area with "Intent to Lease" (private sector tenants)	90%
Percentage of recapitalization project completed	50–75% (subject to funding approval)

Lunenburg Waterfront

Waterfront Development supports the priority of "building capacity in high potential clusters" through the continued redevelopment of the Lunenburg waterfront to promote marine and tourism businesses.

This year we will continue management of the Lunenburg waterfront.

Outcome:

- Access to infrastructure for sustainable growth

Halifax Waterfront

Waterfront Development supports the priority of "building capacity in high potential clusters" through the continued redevelopment of the Halifax waterfront to promote tourism business clusters.

This year our work will advance key projects including the following:

- Cunard Development: Advance planning and design of project.
- Queen's Marque Development: Finalize planning and design of project.

- Tall Ships 2017: Explore opportunities and advance plan in partnership with the Department of Communities, Culture and Heritage, and Tourism Nova Scotia.
- Halifax Boardwalk Small Business: Complete site master plan and construction, secure private sector tenants, negotiate agreements.
- Marine Marketing Partnership: Advance partnerships, implement marketing plan.

Outcome:

- Access to infrastructure for sustainable growth

Measure	Target
Cunard Development: construction commenced	100%
Queen's Marque: construction commenced	100%
Tall Ships: funding secured, project plan developed and implemented (subject to funding approval)	50%
Halifax Boardwalk Small Business: new property developed, site leases complete	100%
Marine Marketing Partnership: implementation of marketing plan	30%

Core Responsibilities

Government outcome: The delivery of core services by government to Nova Scotians is effective and efficient.

Waterfront Planning and Development

Plan and design places (or waterfronts) that attract investment and people to generate economic activity and public benefits for Nova Scotia.

Our portfolio includes approximately 120 acres of waterfront real estate in Dartmouth, Bedford, Lunenburg, and Halifax. Through the planning and development of these lands we are leveraging waterfront assets as a platform for private sector investment, which supports both the growth of large and small businesses and substantially impacts the social and architectural fabric of our city and our provincial economy.

This year, we will advance a master plan for public spaces on the Halifax waterfront that will involve public engagement.

Redevelop waterfront properties from unimproved land to new buildings and infrastructure.

Our work revitalizes waterfront land through thoughtful planning and development that reflects the interests of the community and contributes to increased community vibrancy, growth in key sectors of our economy, and enhanced waterfront visitation by drawing more people to live, work, shop, and play on our waterfronts.

This redevelopment work is implemented through commercial partnerships that enable Waterfront Development to build infrastructure that supports business growth in sectors where Nova Scotia has a competitive advantage in the global economy.

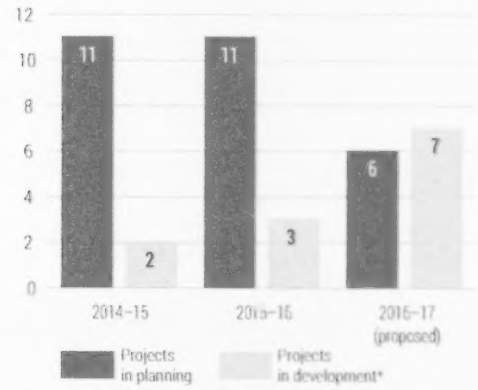
In 2016–2017, Waterfront Development will be actively advancing significant development projects through private sector partnerships. These projects represent approximately 993,000 square feet of new commercial and residential development with a total value of over $200 million. Our planning and development projects have multi-year timelines, as they move from the project planning phase into project development and full operation.

Infrastructure Development

Build and maintain infrastructure that provides visitors and citizens with public gathering spaces and amenities, and businesses with platforms to flourish.

In 2016–2017, we will continue our work to create animated, vibrant waterfront destinations through public space and infrastructure development. The creation of high-quality waterfront public spaces and commercial marine infrastructure attracts increased waterfront visitation and creates the conditions for business success.

Number and Status of Projects



* subject to approval

Commercial Marine Real Estate Management

Operate commercial waterfront property to be financially self-sufficient.

We acquire strategically important waterfront properties, and plan and develop the land in partnership with private sector business. The revenue that we generate through commercial rents, parking, and marina operations is reinvested in waterfront infrastructure for the benefit of the public and our economy.

In 2016–2017, we will continue to work toward financial self-sustainability while fulfilling our economic development mandate. One hundred per cent of our operating budget in Halifax will be generated from business operations.

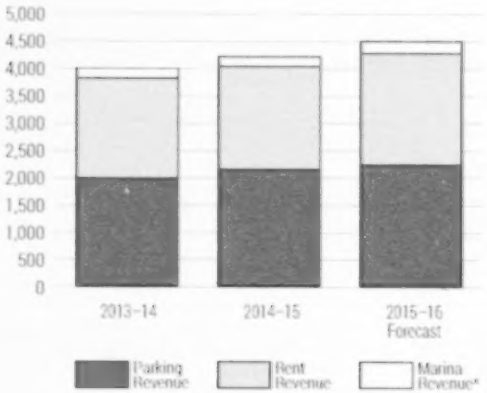
Business Development

Provide businesses with commercial opportunities on waterfront properties.

We work to create districts that foster innovation and entrepreneurship through thoughtful planning and partnerships with the private sector.

We provide these platforms for investment and growth, consistent with the province's goal to have the private sector lead the economic resurgence of Nova Scotia. In return, commercial agreements we enter into with the private sector provide the revenue the province needs to succeed.

Commercial Revenues ($, 000)



*2014–15 Marina Revenue adjusted to reflect discount adjustment

In 2016–2017, Waterfront Development will continue to plan and develop opportunities for high-quality Nova Scotia businesses to locate on our property with the aim of supporting business start-ups and sector growth, enhancing the vibrancy of our community and the visitor experience, and driving revenues for reinvestment in waterfront infrastructure and programs.

Budget Context

Fiscal 2015–2016 marked a year of heightened activity when several projects were advanced to the point that we anticipate commencement of capital spending and the related economic spinoffs in fiscal 2016–2017. Our projects are primarily private sector led; Waterfront Development maintains ownership of the land and collects revenue from long-term land leases. In the case of COVE, the site of the former Dartmouth Coast Guard Base, we have worked in partnership to advance plans to develop infrastructure to inspire a cluster of private and public entities to come together to grow our ocean economy. The revenue stream from the COVE site and the Halifax sites of Queen's Marque and Cunard are not expected to materially affect our operating results in fiscal 2016–2017. After these projects are completed, the stable revenue stream they generate will be a key pillar in Waterfront Development's long-term financial health and will ensure the ability to continue to provide great waterfront experiences for all stakeholders.

Fiscal 2016–2017 will see a one-time write-off for the demolition of certain assets as part of the development process. These include the Queen's Landing and Cunard parking lots and their adjacent improvements, as well as two wharves. The anticipated developments will replace these aging assets with new assets that will offer new opportunities as public spaces.

Parking revenue is expected to decrease substantially, as parking will not be available in lots under construction. Parking revenue from surface lots is a temporary use of these properties. The period between construction commencement and completion will create unavoidable operating pressure. Waterfront Development continuously looks for new ideas and potential revenue sources as a means to mitigate these intermittent pressures. Recent years have seen continued growth in the demand for small-business-space opportunities, and our focus is on the thoughtful development of new and enhanced platforms for business success in our most visited destinations.

One of Waterfront Development's greatest challenges remains the maintenance of our extensive infrastructure. Our public areas such as the Harbourwalks, wharves, gathering places, and floating docks all require funds for their maintenance and enhancement. Waterfront Development strives to find the optimal balance on an annual basis between cost savings and preventive maintenance. The cash generated from operations is used to self-finance numerous small capital projects each year. This is necessary to avoid a slowly deteriorating asset base over time.

Financial Summary

	Budget 2015–16 ($)	Forecast 2015–16 ($)	Budget 2016–17 ($)
Revenue			
Rents	1,509,000	1,544,500	1,567,000
Parking	2,476,000	2,227,700	1,980,000
Other income	477,600	654,600	542,000
Provincial grant	–	–	200,000
Total revenue	4,462,600	4,426,800	4,289,000
Operating expenses			
Insurance	96,800	109,500	130,000
Repairs & maintenance	327,600	218,000	270,000
Security	166,500	166,500	166,000
Utilities	176,900	143,900	184,000
Various other	342,800	509,300	357,000
Total operating expenses	1,110,600	1,147,200	1,107,000
Income from property	3,352,000	3,279,600	3,182,000
Program expenses			
Development & property	280,000	408,400	175,000
Total program expenses	280,000	408,400	175,000
Lunenburg			
Lunenburg revenue	207,000	207,000	207,000
Lunenburg grant	–	–	313,000
Lunenburg expenses	581,200	581,200	520,000
Total Lunenburg	(374,200)	(374,200)	–
Administrative expenses			
Amortization	840,000	763,200	840,000
Interest on long-term debt	30,000	15,000	20,000
Office, marketing, & other	583,000	577,800	528,000
Salaries & contracts	1,405,000	1,308,200	1,405,000
Staff expenses & benefits	214,000	207,000	214,000
Total administrative expenses	3,072,000	2,871,200	3,007,000
Surplus (deficit) before other items	(374,200)	(374,200)	–

	Budget 2015–16 ($)	Forecast 2015–16 ($)	Budget 2016–17 ($)
Other items			
Capital grant amortization	(98,500)	(98,500)	(84,500)
Cunard operating grant	–	–	120,000
Cunard lot write-off	(130,000)	–	(120,000)
Capital grant (Cunard)	500,000	–	500,000
Capital grant (Queen's Marque)	300,000	–	1,000,000
Annual surplus	197,300	(472,700)	1,415,500